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UNCLAS SECTION 01 OF 02 DHAKA 005698

SIPDIS

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E.O. 12958: N/A

TAGS: [EAID](#) [PREL](#) [PGOV](#) [ECON](#) [BG](#)

SUBJECT: BANGLADESH DONORS CONFERENCE

11. Summary. The BDG and donor community, aka Local Consultative Group (LCG), met under the chair of the BDG Minister of Finance on November 15-17. This was the annual development forum meeting with three key changes. First, the BDG chaired whereas in the past they co-chaired with the World Bank. Second, the focus was the country's recently approved poverty reduction strategy report (PRSP). And third, for the first time, the USG was elected the LCG chair and coordinated the donor community inputs. The BDG renamed the forum to PRS Implementation Forum (PIFM) and set five agenda topics: a) Implementation of the PRSP Agenda for the next three years; b) Social Development, Empowering the Poor and the Vulnerable; c) Enhancing Competitiveness for Promoting Trade, Investment and Private Sector Development; d) Promoting Good Governance; and e) Aid Harmonization and Aid Effectiveness. Keynote papers were prepared for each session by BDG officials with response from LCG-selected members. In the end, there were 11 commitments and timeframes agreed to for the next 12 month period, and an agreement these meetings will occur annually. The full account of the events, including speeches, session papers, and agreements, is located on the LCG website at www.lcgbangladesh.org in an area in the lower center of the site under PRS Implementation Forum 15-17 November. End Summary.

12. For the first time in Bangladesh, the BDG chaired the annual donor development forum dialogue. This was decided earlier this year when the BDG felt they were now capable of managing the annual dialogue. The External Resources Division (ERD) of the Ministry of Finance was the lead agency, interacting with the LCG. Also, in mid-October, the National Economic Council, chaired by the Prime Minister, approved their PRSP, setting the way forward for their mid-term vision on poverty reduction. The agenda focused on the PRSP, with an emphasis on implementation and addressing constraints. The BDG keynote speakers were selected for their familiarity with the subject matter and in consultation. LCG members were selected to be the lead respondent.

13. PIFM began with the Prime Minister, Minister of Finance, Vice President World Bank (WB), Director, South Asia Asian Development Bank (ADB), and Vice President, International Monetary Fund (IMF). Most speakers focused on the leadership role the BDG has taken in arranging and conducting the forum, with the donor group highlighting the need to focus on implementation, addressing poor performance in governance, and extremism. At the inaugural dinner, the LCG Chair, USAID Mission Director, tabled the LCG statement following the themes of the earlier donor speeches.

14. November 16 and 17 were devoted to discussions on the five agenda items. The LCG prepared presentations, identified five points to be tabled, and indicated appropriate actions to be taken to deal with these points. From this list of five, three were selected for in-depth presentations by LCG members.

15. The topics selected ranged from the need to have a more rigorous monitoring and evaluation plan in place, and since the donors are being asked to align programs with the PRSP, then this should be a joint effort. The need to link budgets with the implementation plans in the PRSP to ensure sufficient resources allocated to priority areas. Extend the medium term budget format (MTBF) for the resource request and allocation that was piloted in four ministries to six more next budget cycle and then to all ministries. Work towards stronger local governments with increased resource allocating and training to improve local government capacity to accountably manage resources. Staff regulatory commissions, energy, telecom, and security and exchange, and move to being fully operational in the near term. Implement the Public Procurement Regulations after being passed into law. Identify areas to initiate anti-corruption interventions, collect information on existing conditions and lay out approaches to address.

16. The BDG and LCG members agreed to 11 action items. Following is a summary of the agreements: a) implementation plan and joint committee established by December 2005; b) PRS will guide budget allocation process; c) MTBF extended six more ministries; d) local government block grants increased; e) fill vacant commissioner positions for energy,

telecommunications and security commissions; f) implement procurement law; g) link annual development plan to PRSP; h) build capacity of bureau of statistics; i) initiate civil service reform; j) review SME policies; and k) review policy on empowerment and development of women.

17. Feedback on the forum was positive and the outcome of 11 agreements exceeded expectations. Considering the upcoming elections, LCG members felt prospects for many agreements were limited and expected four or five at the most. The BDG did not react negatively with LCG tabled concerns such as rise of extremism, detrimental impact of corruption, setbacks from political gridlock and increased confrontational nature of politics. LCG remains cautious on the extent to which the BDG will fulfill its commitments and are prepared to push on a number of key issue areas. While the BDG agreed to and did open up participation in the meeting to civil society and the private sector, invitations were limited to only a few, from those invited attendance was dismal, and participation was close to non-existent. LCG members will continue to press for broad participation.

CHAMMAS